

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
AID-05 CEA-01 COME-00 EB-08 FRB-03 CIEP-01 STR-04
TRSE-00 LAB-04 SIL-01 OMB-01 AGRE-00 EURE-00 /086 W
-----171936 081878 /47

P R 171819Z FEB 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 0748
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY COPENHAGEN
AMEMBASSY DUBLIN
AMEMBASSY LUXEMBOURG
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY THE HAGUE
AMEMBASSY LISBON
AMEMBASSY ATHENS
AMEMBASSY MADRID
USMISSION EC BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 02808

E.O.11652: XGDS-1
TAGS: EEC, PFOR, EGEN, UK, PO
SUBJECT: SOARES KNOCKS ON THE FIRST DOOR

REF: (A) LONDON 1797; (B) USEC 1261

SUMMARY. SOARES RECEIVED A WARM WELCOME IN LONDON FROM
CALLAGHAN, AS WAS TO BE EXPECTED WITH THE VISIT OF A
SOCIALIST BROTHER. HE PAINTED PORTUGAL'S ECONOMIC AND
POLITICAL PROBLEMS IN REALISTIC COLORS, BUT MAINTAINED
THE PRESSURE FOR AN EARLY COMMUNITY DECISION ON A TIME
SCHEDULE FOR MEMBERSHIP WHICH WOULD GIVE HIS MINORITY
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GOVERNMENT THE POLITICAL ACCEPTANCE IT NEEDS TO PREVENT
UNDERMINING BY THE COMMUNISTS. WE HAVE SEEN NO INDICA-
TION THAT IN RESPONDING CALLAGHAN EXCEEDED THE COM-
MUNITY'S AGREED ATTITUDE TOWARD PORTUGUESE ACCESSION.
SOARES PUBLICLY CONFIRMED THAT HE WOULD LODGE A FORMAL
APPLICATION FOR MEMBERSHIP AFTER HE COMPLETES HIS TOUR OF
EC CAPITALS IN MARCH. END SUMMARY.

1. FCO DESCRIBED THE SOARES-CALLAGHAN MEETING FOR US IN THE FOLLOWING WAY. SOARES BEGAN WITH HIS TRADITIONAL LITURGY OF THE IMPORTANCE FOR HIS COUNTRY AND THE COMMUNITY IN HAVING PORTUGAL AS A MEMBER, HOW THE EXISTING ASSOCIATION AGREEMENT AND FREE TRADE ARRANGEMENTS HAD TAKEN PORTUGAL AS FAR TOWARDS COMMUNITY MEMBERSHIP AS THEY WERE CAPABLE OF DOING, AND HOW HE HAD THE SUPPORT OF ALL MAJOR PARTIES EXCEPT THE COMMUNISTS IN HIS BID FOR A COMMUNITY SEAT. IN DISCUSSING THE ALTERNATIVES TO AN EARLY RESPONSE BY THE COMMUNITY, HE PUBLICLY USED THE ANALOGY OF PORTUGAL BECOMING A "EUROPEAN CUBA," BUT IN HIS PRIVATE SESSION WITH CALLAGHAN ADDED TO THIS THE CAUTION THAT IT WOULD ALSO NOT BE DESIRABLE TO BECOME A "EUROPEAN COLONY OF THE UNITED STATES."

2. MUCH OF THE ACTUAL TIME OF THE MEETING WE UNDERSTAND WAS TAKEN UP WITH A MECHANICAL REVIEW OF PORTUGAL'S ECONOMY AND AN ANALYSIS OF THE PROBLEM. SOARES MADE THE FOLLOWING MAIN POINTS: IF ALL CONTINUES TO GO WELL, PORTUGAL WILL BE ABLE TO PAY OFF ITS DEBTS BY 1981-2; THE PORTUGUESE ECONOMIC SITUATION IS NOT AS "DESPERATE" AS THAT OF GREECE AND TURKEY; PORTUGAL EXPECTS TO RECEIVE MORE FUNDS FROM THE UNITED STATES; AND, IF PORTUGAL IS ABLE TO GET THE FIRST TRANCHE OF IMF FUNDS, THIS WOULD CERTAINLY OPEN DOORS IN OTHER PLACES FOR ADDITIONAL MONEY. SOARES STRESSED THAT THE SOLUTIONS TO PORTUGAL'S ECONOMIC PROBLEMS WOULD BE AND MUST BE FOUND BY 1981. SOARES ALSO MENTIONED THE PROPOSED BALANCE OF PAYMENTS

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CONSORTIUM (BUT WITH THE ADDITION OF THE POSTSCRIPT THAT HE HAD BEEN ASKED TO DO SO BY THE U.S.). CALLAGHAN'S ONLY REPLY WAS THAT THE U.S. HAD NOT YET APPROACHED THE BRITISH ON THIS ISSUE.

3. MOVING ON TO LONGER TERM ECONOMIC PROBLEMS, SOARES RAISED THE ISSUE OF ECONOMIC DIVERGENCE WITHIN THE EUROPEAN COMMUNITY, SAYING THAT HE FULLY REALIZED THAT STRUCTURAL ECONOMIC IMBALANCES CANNOT BE IGNORED. WE UNDERSTAND THAT THE DISCUSSION ON AGRICULTURE WAS SURPRISINGLY SHORT, WITH THE PORTUGUESE SIDE STATING THAT THEY WOULD PROVIDE NO SUBSTANTIAL COMPETITIVE PROBLEM FOR THE EC AGRICULTURAL SECTOR EXCEPT FOR WINE AND TOMATO CONCENTRATE AND THE UK SIDE NOT OBJECTING TO THIS ANALYSIS. (LESS GRANDLY, THE EMBASSY WOULD NOTE THAT PORTUGUESE AGRICULTURAL PRODUCTS DO NOT COMPETE WITH THOSE OF BRITAIN.) SOARES FELT THE PROBLEM WOULD BE ONE OF THE SURVIVAL OF PORTUGUESE BUSINESSES, SINCE THE PRICE LEVELS WERE ALREADY RELATIVELY HIGH IN COMPARISON WITH

COMMUNITY LEVELS. WE WERE TOLD SOARES PREDICTABLY STRESSED THE IMPORTANCE OF FREE MOVEMENT OF LABOR, BUT THAT HE CLEARLY RECOGNIZED THE EXISTING EC PROBLEMS IN THIS AREA.

4. BOTH IN HIS SESSION WITH CALLAGHAN AND AT HIS PRESS

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CONFERENCE, SOARES MADE A GREAT POINT OF THE ECONOMIC ADVANTAGES PORTUGAL WOULD BRING TO THE COMMUNITY AS A MEMBER. NOTWITHSTANDING PORTUGAL'S SMALL SIZE, SOARES ARGUED MEMBERSHIP WOULD BRING EUROPEAN ACCESS TO THE PORTUGUESE MARKET, OPPORTUNITIES TO EXPLOIT A LARGELY UNTAPPED RANGE OF MINERAL RESOURCES, AND THE FISHING BENEFITS THAT WOULD BE POSSIBLE WITHIN PORTUGAL'S 200-

MILE LIMIT.

5. ACCORDING TO FCO SOURCE, CALLAGHAN RESPONDED THAT THE
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UNITED KINGDOM WELCOMED THE PRINCIPLE OF PORTUGUESE MEMBERSHIP AND THAT SOARES WAS TO BE COMMENDED FOR ADOPTING A REALISTIC APPROACH TO THE PROBLEMS OF EC ACCESSION.

6. SOARES TOLD CALLAGHAN HE WOULD PRESENT AN APPLICATION FOR COMMUNITY MEMBERSHIP NEXT MONTH AND THAT HE WAS MOST GRATIFIED WITH THE WARM RECEPTION RECEIVED FROM THE BRITISH GOVERNMENT AND CALLAGHAN'S SUPPORT FOR PORTUGAL'S APPLICATION. AS EXPECTED, SOARES EXPRESSED SOME CONCERN ABOUT HOW MUCH TIME WOULD BE REQUIRED FOR THE COMMISSION TO RENDER ITS OPINION, AS REQUIRED UNDER THE TREATY, ON PORTUGUESE MEMBERSHIP. DURING THE MEETING WITH CALLAGHAN HE PRESSED FOR A SCENARIO WHICH WOULD HAVE THE COUNCIL INSTRUCT THE COMMISSION TO PROVIDE ITS OPINION "IMMEDIATELY," OR AT LEAST WITHOUT A LONG PERIOD OF DELAY. DURING HIS PRESS CONFERENCE, HE EXPRESSED HIS HOPE THAT THIS DECISION WOULD BE REACHED BY THE END OF 1977 OR AT THE LATEST EARLY IN 1978 SO THAT DETAILED DISCUSSIONS COULD THEN GET STARTED.

7. THE ATMOSPHERE OF THE PRIVATE MEETING WAS PARTICULARLY WARM, REFLECTING THE FACT THAT SOARES' SUCCESSFUL ACTIONS IN PORTUGAL AS A MEMBER OF THE SOCIALIST BROTHERHOOD HAD PLAYED A SIGNIFICANT ROLE IN SHAPING THE UK'S RECEPTIVE ATTITUDE. OBVIOUSLY, THE FACT THAT CALLAGHAN AND SOARES HAVE BEEN FRIENDS FOR A LONG TIME CONTRIBUTED TO THE WARMTH OF THE OCCASION WHICH WAS CARRIED THROUGH IN THE BANQUET REMARKS OF BOTH MEN.

8. OUR FCO INTERLOCUTOR FELT THAT THE UK WILL BE ENCOURAGING THE EC TO LOOK FOR WAYS OF EXAMINING THE PORTUGUESE BID THAT WOULD MOVE ALONG THE APPLICATION WHILE MINIMIZING THE CRITICISM THAT WAS HEARD FROM SOME QUARTERS ABOUT THE RAPIDITY OF THE COUNCIL'S ACTION ON GREECE'S APPLICATION. THE UK WILL SEEK TO EMPHASIZE IN COMMUNITY DISCUSSIONS THAT THE CASES OF GREECE AND PORTUGAL ARE VERY DIFFERENT ONES.

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GAL ARE VERY DIFFERENT ONES.

9. AT THE UK DINNER FOR THE PORTUGUESE, CALLAGHAN GAVE

BRITAIN'S FULL BUT GENERALIZED SUPPORT TO PORTUGUESE MEMBERSHIP. HIS ESSENTIAL THEME WAS THE NEED FOR VIGILANCE IN DEFENDING DEMOCRACY, AND HE SAID THE BRITISH PEOPLE FIRMLY BELIEVED THAT PORTUGAL WOULD BECOME A MEMBER OF THE EC AND THAT THIS WOULD BRING "GREATER STABILITY TO DEMOCRACY AND TO PORTUGAL AND TO WESTERN EUROPE."

10. COMMENT. DESPITE BEING ACUTELY AWARE OF THE INEVITABLE ECONOMIC PROBLEMS PORTUGUESE ACCESSION WILL BRING TO THE COMMUNITY, HMG HAS AGAIN, AS IN CROSLAND'S RECENT SPEECH TO THE EUROPEAN PARLIAMENT, EXPRESSED ITS VIEW THAT THE POLITICAL PRIORITY OF PORTUGUESE DEMOCRACY MUST BE THE EC'S IMMEDIATE AND OVERRIDING CONCERN. ARMSTRONG

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